



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

April 10, 2000

**H.R. 4163
Taxpayer Bill of Rights 2000**

As ordered reported by the House Committee on Ways and Means on April 5, 2000

SUMMARY

H.R. 4163 would impose new confidentiality and disclosure requirements on the government with regard to taxpayer information. In addition, the bill would reduce or repeal certain penalties for failure to pay taxes; allow taxpayers to exclude interest earned from overpayments of federal income tax from their income; allow the Secretary of Treasury to abate interest on overdue tax payments in certain additional situations; allow taxpayers to create dispute-reserve accounts whose funds may be applied to offset a tax underpayment; and apply interest netting rules without regard to the 45-day period during which the Treasury may refund overpayments without interest.

The Joint Committee on Taxation (JCT) estimates that the bill would increase revenues by \$1.3 billion in 2001, reduce revenues by about \$2.1 billion over the 2001-2005 period, and reduce revenues by about \$7.3 billion over the 2001-2010 period. In addition, the bill would affect direct spending, but CBO estimates that such amounts would total less than \$500,000 each year. Because the bill would affect direct spending and receipts, pay-as-you-go procedures would apply.

H.R. 4163 contains one new intergovernmental mandate, the costs of which would not exceed the threshold for intergovernmental mandates (\$55 million in fiscal year 2000, adjusted annually for inflation) established in the Unfunded Mandates Reform Act (UMRA). H.R. 4163 contains no private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4163 is shown in the following table.

	By Fiscal Year, in Millions of Dollars					
	2000	2001	2002	2003	2004	2005
CHANGES IN REVENUES						
Estimated Revenues	0	1,319	-772	-854	-882	-916
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	a	a	a	a	a
Estimated Outlays	0	a	a	a	a	a

a. Less than \$500,000.

SOURCES: Joint Committee on Taxation and Congressional Budget Office.

BASIS OF ESTIMATE

Revenues

Estimates of all revenue provisions in H.R. 4163 were provided by JCT.

Direct Spending

In addition to the bill's estimated effect on revenues, enacting H.R. 4163 would affect direct spending, but CBO estimates that the net effect of such changes would be less than \$500,000 each year.

Under current law, taxpayers can elect to pay their taxes through installments. The Internal Revenue Service (IRS) charges a fee of \$43 for each installment agreement, which it can retain and spend without further appropriation action. For those taxpayers who allow the IRS to automatically withdraw each installment payment directly from their bank account, H.R. 4163 would waive the payment of the processing fee. Because the IRS can retain and spend such amounts, the loss of offsetting receipts (a form of direct spending) from not collecting the fees would be offset by an equivalent reduction in spending, resulting in a net budgetary impact of less than \$500,000 each year.

In addition, enacting H.R. 4613 could increase the amount of penalties awarded to taxpayers in administrative or court proceedings. CBO estimates that the amount of such penalties,

which would be paid for from the permanent, indefinite appropriation for claims and judgments, would total less than \$500,000 each year.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays and governmental receipts that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the current year, the budget year, and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Change in outlays	0	0	0	0	0	0	0	0	0	0	0
Changes in receipts	0	1,319	-772	-854	-882	-916	-953	-993	-1,040	-1,090	-1,146

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

The provision in H.R. 4163 that would ensure compliance by state contractors with confidentiality safeguards on tax return information would impose a mandate on state, local, and tribal governments. JCT estimates the costs of this mandate would not exceed the threshold for intergovernmental mandates (\$55 million in fiscal year 2000, adjusted annually for inflation) established in UMRA.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

As estimated by JCT, the bill contains no private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY:

Federal Revenues: Hester Grippando
Federal Spending: John Righter

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis

G. Thomas Woodward
Assistant Director for Tax Analysis